

Adler Pollock & Sheehan Incorporated
2300 Hospital Trust Tower
Providence, Rhode Island 02903
Telephone 401/274-7200
Telex 927661
Fax 401/751-0604

ATTORNEYS AT LAW.

1 5822
RECORDATION NO. 5822 FILE 158

SEP 15 1988-3 04 PM

ADLER POLLOCK & SHEEHAN

INTERSTATE COMMERCE COMMISSION

September 13, 1988

Date 9/15/88
Fee \$15.00

100 Washington, D. C.

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
Washington, DC 20423

Dear Ms. McGee:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. §11303 are an original and one copy of a Security Agreement dated August 29, 1988, a Primary Document as defined in the Commission's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Debtor:

The Newport Star Clipper Limited Partnership
c/o Trains Unlimited, Inc.
501 Sycamore, Suite 200
Chicago Central Building
Waterloo, IA 50703

Secured Party:

Greater Providence Deposit Corporation
170 Westminster Street
Providence, RI 02903
Attn: John F. Sheehan
Assistant Vice President

Included in the railroad equipment covered by the aforesaid Security Agreement are railroad cars and other rolling stock intended for use related to interstate commerce, or interests therein, owned by Debtor at the date of said Security Agreement or thereafter acquired by it or its successors as owners of the lines of railway covered by the Security Agreement. A description of the railroad equipment owned by Debtor as of the date of

ADLER POLLOCK & SHEEHAN

Ms. Noreta R. McGee
September 13, 1988
Page 2

said Security Agreement and covered by said Security Agreement is set forth in Exhibit A attached hereto and made a part hereof.

The required recordation fee of \$10.00 is enclosed.

Please return one stamped copy of the enclosed document to

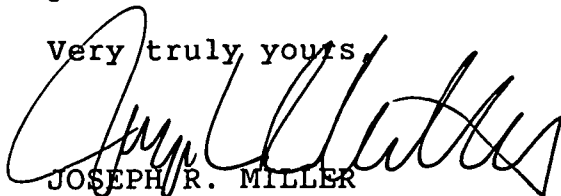
Joseph R. Miller, Esq.
Adler Pollock & Sheehan Incorporated
2300 Hospital Trust Tower
Providence, RI 02903.

A short summary of the enclosed Primary Document to appear in the Commission's Index is

Security Agreement dated August 29, 1988 between the Newport Star Clipper Limited Partnership, Debtor, and Greater Providence Deposit Corporation, Secured Party, covering railroad cars and other rolling stock owned by Debtor at the date of said Security Agreement or thereafter acquired by it or its successors as owners of the lines of railway covered by the Security Agreement. Rolling stock owned by Debtor covered by said Security Agreement as of the date of said Security Agreement are three (3) coach cars bearing AM 5412, AM 5431 and AM 6016 and one (1) power car bearing 52.

Should you have any questions concerning this matter, please do not hesitate to call the undersigned.

Very truly yours,



JOSEPH R. MILLER

JRM:mmt
Enclosures

3838I
JRM 8/26/88

EXHIBIT "A"

<u>Quantity</u>	<u>Description</u>	<u>Designation</u>
1	Coach	AM 5412
1	Coach	AM 5431
1	Coach	AM 6016 <i>John</i>
1	Power Car	52

SEP 15 1988-3 45 PM

8 15
SEP 15/2 1988
COPY

INTERSTATE COMMERCE COMMISSION
SECURITY AGREEMENT
OF THE NEWPORT STAR CLIPPER LIMITED PARTNERSHIP

THIS AGREEMENT, dated as of the Date of Agreement set forth below, is entered into by and between GREATER PROVIDENCE DEPOSIT CORPORATION, a Rhode Island loan and investment bank ("Secured Party"), and THE NEWPORT STAR CLIPPER LIMITED PARTNERSHIP, an Iowa limited partnership ("Debtor").

In consideration of any loan made or to be made by Secured Party to Debtor and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. DEFINITIONS

When used herein, the terms set forth below shall be defined as follows:

1.1 "Date of Agreement" is August 29, 1988

1.2 "Debtor's Address" is c/o Trains Unlimited, Inc., 501 Sycamore, Suite 200, Waterloo, Iowa 50703.

1.3 "Secured Party's Address" is 170 Westminster Street, Providence, Rhode Island 02903.

1.4 "Receivables" means all accounts, contract rights, instruments, documents, chattel paper, general intangibles (including, without limitation, choses in action, tax refunds and insurance proceeds); any other obligations or indebtedness owed to Debtor from whatever source arising; all rights of Debtor to receive any payments in money or kind; all guarantees of Receivables and security therefor; all cash or non-cash proceeds of all of the foregoing; all of the right, title and interest of Debtor in and with respect to the goods, services or other property which gave rise to or which secure any of the Receivables and insurance policies and proceeds relating thereto, and all of the rights of Debtor as an unpaid seller of goods or services, including, without limitation, the rights of stoppage in transit, replevin, reclamation and resale, and all of the foregoing, whether now existing or hereafter created or acquired.

1.5 "Inventory" means all goods, merchandise and other personal property now owned or hereafter acquired by Debtor which are held for sale or lease, or are furnished or to be furnished under any contract of service or are raw materials, work-in-process, supplies or materials used or consumed in Debtor's business, and all products thereof, and all substitutions, replacements, additions or accessions therefor and thereto; all cash or non-cash proceeds of all of the foregoing, including insurance proceeds, and including, without limitation, all Inventory listed on any schedule attached hereto.

1.6 "Equipment" means all machinery and equipment and furniture and fixtures of Debtor (excluding automotive equipment), now owned or hereafter acquired by Debtor, and used or acquired for use in the business of Debtor, together with all accessions thereto and all substitutions and replacements thereof and parts therefor; all cash and non-cash proceeds.

1.7 "Collateral" means:

1.7.1 All Receivables, Inventory and Equipment;

1.7.2 All ledger sheets, files, records, documents and instruments (including, without limitation, computer programs, tapes and related electronic data processing software) evidencing an interest in or relating to the Receivables, Inventory and Equipment; and

1.7.3 All instruments, documents, securities, cash, property and the proceeds of any of the foregoing, owned by Debtor or in which Debtor has an interest, which now or hereafter are at any time in possession or control of Secured Party or in transit by mail or carrier to or from Secured Party or in the possession of any third party acting on behalf of Secured Party, without regard to whether Secured Party received the same in pledge, for safekeeping, as agent for collection or transmission or otherwise or whether Secured Party had conditionally released the same.

The defined term "Collateral" does not include any deposit accounts of Debtor with respect to which the Secured Party has a right of set-off pursuant to paragraph 7.3. hereof.

1.9 "Event of Default" means each and every event specified in Section 6 of this Agreement.

1.10 "Loan Agreement" means the Loan Agreement of even date herewith among Debtor, Rhode Island Dinner Train, Inc., a Rhode Island corporation, and Secured Party.

1.11 "Note" means that promissory note executed by Debtor in favor of Secured Party of even date herewith.

1.12 "Obligations" means all indebtedness, obligations and liabilities of Debtor to Secured Party of every kind and description, direct or indirect, secured or unsecured, joint or several, absolute or contingent, due or to become due, whether for payment or performance, now existing or hereafter arising, regardless of how the same arise or by what instrument, agreement or book account they may be evidenced, or whether evidenced by any instrument, agreement or book account; including, without limitation, all loans (including any loan by renewal or extension), all indebtedness, all undertakings to take or refrain from taking any action, all indebtedness, liabilities or obligations owing from Debtor to others which Secured Party may have obtained by purchase, negotiation, discount, assignment or otherwise, and all interest, taxes, fees, charges, expenses and attorneys' fees chargeable to Debtor or incurred by Secured Party under this Agreement, or any other document or instrument delivered in connection herewith, and further including, without limitation, all obligations of Debtor to Secured Party pursuant to the Note, the Loan Agreement and the Security Documents as described and defined in the Loan Agreement.

To the extent not defined in this Section 1, unless the context otherwise requires, all other terms contained in this Agreement shall have the meanings attributed to them by Article 9 of the Uniform Commercial Code in force in the State of Rhode Island on the Date of Agreement, to the extent the same are used or defined therein.

2. REPRESENTATIONS AND WARRANTIES

Debtor represents and warrants to Secured Party, and such representations and warranties shall be continuing representations and warranties so long as any Obligations shall remain outstanding, as follows:

2.1 Debtor is existing as a limited partnership in good standing under the laws of the State of Iowa and is duly registered as a foreign limited partnership in those jurisdictions in which the conduct of its business or the ownership of its properties requires such registration; Debtor has the power and authority to own the Collateral, to enter into and perform this Agreement and any other document or instrument delivered in connection herewith and to incur the Obligations.

2.2 Debtor utilizes no tradenames in the conduct of its business, except as set forth in Section 10 of this Agreement; has not changed its name, been the surviving entity in a merger, acquired any business; or changed the location of its chief place of business or chief executive office or the location of its records with respect to Receivables or the location of any returns of the Inventory; or changed the

location of any of the Inventory; or changed the location of the Equipment; except as set forth in Section 10 hereof.

2.3 The execution and performance of this Agreement and any other document or instrument delivered in connection herewith will not result in the creation or imposition of any lien or encumbrance upon any of the Collateral (immediately, with the passage of time, or with the giving of notice and the passage of time).

2.4 This Agreement and any document or instrument delivered in connection herewith and the transactions contemplated hereby or thereby have been duly authorized, and/or executed and delivered, as appropriate; and this Agreement and such other documents and instruments constitute valid and legally binding obligations of Debtor and are enforceable against Debtor in accordance with their respective terms.

2.5 Debtor is the owner of the Collateral free and clear of all security interests, encumbrances or liens, except liens which arise by operation of law with respect to obligations of Debtor which are not yet due and payable and except as may be specifically set forth in Section 10 hereof and except those in favor of Secured Party; and Debtor will defend the Collateral against all claims and demands of all persons at any time claiming an interest therein.

2.6 Debtor has filed all federal, state and local tax returns and other reports it is required to file and has paid or made adequate provision for payment of all such taxes, assessments and other governmental charges.

2.7 No representation, warranty or statement by Debtor contained herein or in any certificate or other document furnished or to be furnished by Debtor pursuant hereto contains or at the time of delivery shall contain any untrue statement of material fact, or omits, or shall omit at the time of delivery, to state a material fact necessary to make it not misleading.

3. SPECIFIC REPRESENTATIONS, WARRANTIES AND COVENANTS
WITH RESPECT TO COLLATERAL

With respect to the Collateral, Debtor hereby represents and warrants to and covenants with Secured Party, as follows:

3.1 Inventory:

3.1.1 All Inventory is in possession of Debtor at Debtor's Address and all records of Debtor pertaining thereto are kept at Debtor's Address, except as set forth in

Section 10 hereof, and Debtor shall notify Secured Party in writing no later than thirty (30) days prior to any change of any location where the Inventory is or may be kept;

3.1.2 Debtor shall not sell, lease or otherwise transfer any interest in the Inventory except that Debtor may, until an Event of Default occurs, hold, process, sell, use or consume Inventory in the ordinary course of Debtor's business, excluding, however, any sale or transfer made in partial or total satisfaction of a debt;

3.1.3 Debtor shall keep current stock, cost and sales records of the Inventory, accurately itemizing and describing the types and quantities of Inventory, and the cost and selling price thereof and all books, records and documents relating to the Inventory are and will be genuine, complete and correct;

3.1.4 None of the Inventory is, or at any time or times hereafter will be, stored with a bailee, without the prior written consent of Secured Party; and

3.1.5 Debtor shall, at Secured Party's request, deliver to Secured Party any and all evidence of ownership of, certificates of title to, or other documents evidencing any interest in any and all of the Inventory.

3.2 Equipment:

3.2.1 The Equipment is in the possession of Debtor at Debtor's Address or at the location(s) set forth in Section 10 hereof and that said location(s), if not owned by Debtor, are leased by Debtor as set forth in Section 10; if Equipment is or shall be affixed to any real estate, including any buildings owned or leased by Debtor or used by Debtor in the operation of its business, Debtor shall provide Secured Party with disclaimers and waivers necessary to make the security interest in the Equipment valid against Debtor and other persons holding an interest in such real estate;

3.2.2 Debtor shall keep and maintain all Equipment in good operating condition and repair, make all necessary repairs thereto and replace parts thereof so that the value and operating efficiency thereof shall at all times be maintained and preserved; and Debtor shall keep complete and accurate books and records with respect to Equipment, including maintenance records;

- - 3.2.3 Debtor shall deliver to Secured Party upon request any and all evidence of ownership of, and certificates of title to, any and all of the Equipment;

3.2.4 Debtor shall not, without the prior written consent of Secured Party, sell, offer to sell, lease or in any other manner dispose of any Equipment; and

3.2.5 Debtor shall notify Secured Party in writing no later than thirty (30) days prior to any change of any location where the Equipment is or may be kept.

3.3 Receivables:

3.3.1 The address of the chief executive office and chief place of business of Debtor is Debtor's Address and Debtor has no other places of business except as set forth in Section 10 hereof. All records pertaining to the Receivables (including computer records) and all returns of Inventory are kept at Debtor's Address, except as set forth in Section 10 hereof; and Debtor will notify Secured Party, no later than thirty (30) days prior to any change in address of the chief executive office or chief place of business of Debtor or of the change of the location where records pertaining to Receivables or returns of Inventory are kept;

3.3.2 All books, records and documents relating to any of the Receivables (including computer records) are and will be genuine and in all respects what they purport to be and the amount of each Receivable shown on the books and records of Debtor is and will be the correct amount actually owing or to be owing at maturity of such Receivable;

3.3.3 Until Secured Party directs otherwise, Debtor shall collect the Receivables, subject to the direction and control of Secured Party at all times;

3.3.4 Debtor shall notify Secured Party if any Receivables arise out of contracts with the United States or any department, agency or instrumentality thereof, and Debtor shall execute any instruments and take any steps to perfect the assignment of the rights of Debtor to Secured Party as required under the Federal Assignment of Claims Act or any similar act or regulation; and

3.3.5 Debtor shall provide Secured Party, at its request, from time to time with: confirmatory assignment schedules; copies of all invoices relating to the Receivables, evidence of shipment or delivery of Inventory; and, such further information and/or schedules as Secured Party may reasonably require, all in a form satisfactory to Secured Party.

- - 4. GRANT OF SECURITY INTEREST

To secure the payment and performance of the Obligations, Debtor hereby pledges, assigns and transfers to Secured Party, and grants to Secured Party a continuing security interest in and to all of the Collateral.

5. GENERAL COVENANTS

Debtor covenants and agrees that so long as any Obligations remain outstanding Debtor shall:

5.1 Not mortgage, pledge, grant or permit to exist a security interest in, or lien or encumbrance upon any of the Collateral except in favor of Secured Party and as set forth in Section 10 hereof.

5.2 Upon the request of Secured Party, furnish Secured Party:

5.2.1 Within ninety (90) days after the last day of each fiscal year of Debtor, a financial statement including a balance sheet, income statement, statement of retained earnings and a statement of changes in financial position, each prepared in accordance with generally accepted accounting principles consistently applied with a report signed by an independent certified public accountant satisfactory to Secured Party;

5.2.2 Promptly and in form satisfactory to Secured Party, such other information as Secured Party may reasonably request from time to time.

5.3 Maintain casualty insurance coverage on the Collateral in such amounts and of such types as may be requested by Secured Party, and in any event, as are ordinarily carried by similar businesses; and, in the case of all policies insuring property in which Secured Party shall have a security interest of any kind whatsoever, all such insurance policies shall provide that the proceeds thereof shall be payable to Debtor and Secured Party, as their respective interests may appear. Debtor has a right of free choice of agent and insurer through or by which such insurance is to be placed, subject only to the requirements that insurer be authorized to do business in each state where the Collateral is located and have a licensed resident agent therein and that such insurer's financial condition is reasonably satisfactory to Secured Party. All said policies or certificates thereof, including all endorsements thereof and those required hereunder, shall be deposited with Secured Party; and such policies shall contain provisions that no such insurance may be cancelled or decreased without ten (10) days prior written notice to Secured Party; and, in the event of acquisition of additional insurable Collateral, Debtor shall cause such insurance coverage to be increased or amended in such manner and to such extent as prudent business judgment would dictate. If Debtor shall at any time or times hereafter fail to obtain and/or maintain any of the policies of insurance required herein, or fail to pay any premium in whole or in part relating to any such policies, Secured Party may, but shall not be obligated to, obtain and/or

cause to be maintained insurance coverage with respect to the Collateral, including, at Secured Party's option, the coverage provided by all or any of the policies of Debtor and pay all or any part of the premium therefor, without waiving any Event of Default by Debtor, and any sums so disbursed by Secured Party shall be additional Obligations of Debtor to Secured Party payable on demand. Secured Party shall have the right to settle and compromise any and all claims under any of the policies required to be maintained by Debtor hereunder and Debtor hereby appoints Secured Party as its attorney-in-fact, with power to demand, receive and receipt for all monies payable thereunder, to execute in the name of Debtor or Secured Party or both any proof of loss, notice, draft or other instruments in connection with such policies or any loss thereunder and generally to do and perform any and all acts as Debtor, but for this appointment, might or could perform;

5.4 Permit Secured Party, through its authorized attorneys, accountants and representatives, to inspect and examine the Collateral and the books, accounts, records, ledgers and assets of every kind and description of Debtor with respect thereto at all reasonable times;

5.5 Promptly notify Secured Party of any condition or event which constitutes, or would constitute with the passage of time or giving of notice or both, an Event of Default under this Agreement, and promptly inform Secured Party of any events or change in the financial condition of Debtor occurring since the date of the last financial statements of Debtor delivered to Secured Party, which individually or cumulatively when viewed in light of prior financial statements, may result in a material adverse change in the financial condition of Debtor;

5.6 Maintain in good standing its existence as a limited partnership in the State of Iowa and its registration as a foreign limited partnership in those jurisdictions in which Debtor is required to be registered;

5.7 If Debtor shall now or hereafter maintain an employee benefit plan covered by Section 4021(a) of the Employee Retirement Income Security Act of 1974 (hereinafter referred to as "ERISA") relating to plan termination insurance, promptly: (a) notify Secured Party of the filing of notice with the Pension Benefit Guaranty Corporation (hereinafter referred to as the "PBGC") pursuant to Section 4041 of ERISA that the plan is to be terminated; and (b) notify Secured Party of the institution of proceedings by the PBGC under Section 4042 of ERISA;

5.8 Pay or deposit promptly when due all sales, use, excise, personal property, income, withholding, franchise and other taxes, assessments and governmental charges upon or relating to its ownership or use of any of the Collateral and,

upon request of Secured Party, submit to Secured Party proof satisfactory to Secured Party that such payments and/or deposits have been made; and

5.9 At any time and from time to time upon request of Secured Party, execute and deliver to Secured Party, in form and substance satisfactory to Secured Party, such documents as Secured Party shall deem necessary or desirable to perfect or maintain perfected the security interest of Secured Party in the Collateral or which may be necessary to comply with the provisions of the law of the State of Rhode Island or the law of any other jurisdiction in which Debtor may then be conducting business or in which any of the Collateral may be located.

6. EVENTS OF DEFAULT AND ACCELERATION

6.1 The occurrence of any one or more of the following events shall constitute an Event of Default hereunder: Default in the observance or performance of any covenant or agreement of Debtor herein set forth or the occurrence of an Event of Default as defined and described in the Loan Agreement of any Security Document.

6.2 If any Event of Default shall occur, then or at any time thereafter, while such Event of Default shall continue, Secured Party may declare all Obligations to be due and payable, without notice, protest, presentment or demand, all of which are hereby expressly waived by Debtor.

7. RIGHTS AND REMEDIES

Secured Party shall have, by way of example and not of limitation, the rights and remedies set forth in Paragraphs 7.1(i) through (v), inclusive, and 7.3, at all times prior to and/or after the occurrence of an Event of Default and shall have all of the rights and remedies enumerated herein after the occurrence of an Event of Default;

7.1 Secured Party, and any officer or agent of Secured Party is hereby constituted and appointed as true and lawful attorney-in-fact of Debtor with power: (i) to notify or require Debtor to notify any and all account debtors or parties against which Debtor has a claim that the Receivables have been assigned to Secured Party and/or that Secured Party has a security interest therein and that all payments should be made to Secured Party; (ii) to endorse the name of Debtor upon any instruments of payment (including payments made under any policy of insurance) that may come into possession of Secured Party in full or part payment of any amount owing to Secured Party; (iii) to sign and endorse the name of Debtor upon any invoice, freight or express bill, bill of lading, storage or warehouse receipt, drafts against account debtors or other obligors and if Receivables are a part of Collateral, to sign

and endorse the name of Debtor on any assignments, verifications and notices in connection with Receivables, and any instrument or document relating thereto or to rights of Debtor therein; (iv) to notify the post office authorities to change the address for delivery of mail of Debtor to an address designated by Secured Party and to receive, open and dispose of all mail addressed to Debtor; (v) to send requests for verification to account debtors or other obligors; and (vi) to sell, assign, sue for, collect or compromise payment of all or any part of the Collateral in the name of Debtor or in its own name, or make any other disposition of Collateral, or any part thereof, which disposition may be for cash, credit or any combination thereof, and Secured Party may purchase all or any part of the Collateral at public or, if permitted by law, private sale, and in lieu of actual payment of such purchase price, may set-off the amount of such price against the Obligations; granting to Secured Party, as the attorney-in-fact of Debtor, full power of substitution and full power to do any and all things necessary to be done in and about the premises as fully and effectually as Debtor might or could do but for this appointment, and hereby ratifying all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. Neither Secured Party nor its agents shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law in its capacity as such attorney-in-fact. This power of attorney is coupled with an interest and shall be irrevocable so long as any Obligations shall remain outstanding.

7.2 Secured Party shall have the right to enter and/or remain upon the premises of Debtor without any obligation to pay rent to Debtor or others, or any other place or places where any of the Collateral is located and kept and: (a) remove Collateral therefrom to the premises of Secured Party or any agent of Secured Party, for such time as Secured Party may desire, in order to maintain, collect, sell and/or liquidate the Collateral; or (b) use such premises, together with materials, supplies, books and records of Debtor, to maintain possession and/or the condition of the Collateral, and to prepare the Collateral for selling, liquidating or collecting. Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties.

7.3 Secured Party shall have the right to set-off, without notice to Debtor, any and all deposits or other sums at any time or times credited by or due from Secured Party, to Debtor, whether in a special account or other account or represented by a certificate of deposit (whether or not matured) which deposits and other sums shall at all times constitute additional security for the Obligations and may be set-off against all or any part of the Obligations at any time

if Debtor is primary obligor with respect to such Obligations, or, at or after the maturity of Obligations, if Debtor is secondary obligor.

7.4 Secured Party shall have, in addition to any other rights and remedies contained in this Agreement, and any other agreements, guarantees, notes, instruments and documents heretofore, now or at any time or times hereafter executed by Debtor and delivered to Secured Party, all of the rights and remedies of a secured party under the Uniform Commercial Code in force in the State of Rhode Island all of which rights and remedies shall be cumulative, and none exclusive, to the extent permitted by law.

7.5 Any notice required to be given by Secured Party of a sale or other disposition or other intended action by Secured Party with respect to any of the Collateral, or otherwise, made in accordance with the terms of this Agreement at least ten (10) days prior to such proposed action, shall constitute fair and reasonable notice to Debtor of any such action. In the event that any of the Collateral is used in conjunction with any real estate, the sale of the collateral in conjunction with and as one parcel with any such real estate of Debtor, shall be deemed to be a commercially reasonable manner of sale. The net proceeds realized by Secured Party upon any such sale or other disposition, after deduction of the expenses of retaking, holding, preparing for sale, selling or the like and reasonable attorneys' fees and any other expenses incurred by Secured Party, shall be applied toward satisfaction of the Obligations hereunder. Secured Party shall account to Debtor for any surplus realized upon such sale or other disposition and Debtor shall remain liable for any deficiency. The commencement of any action, legal or equitable, shall not affect the security interest of Secured Party in the Collateral until the Obligations hereunder or any judgment therefor are fully paid.

8. GENERAL PROVISIONS

8.1 The failure of Secured Party at any time or times hereafter to require strict performance by Debtor of any of the provisions, warranties, terms and conditions contained in this Agreement or in any other agreement, guaranty, note, instrument or document now or at any time or times hereafter executed by Debtor and delivered to Secured Party shall not waive, affect or diminish any right of Secured Party at any time or times hereafter to demand strict performance thereof; and, no rights of Secured Party hereunder shall be deemed to have been waived by any act or knowledge of Secured Party, its agents, officers or employees, unless such waiver is contained in an instrument in writing signed by an officer of Secured Party and directed to Debtor specifying such waiver. No waiver by Secured Party of any of its rights shall operate as a waiver of any other of its rights or any of its rights on a future occasion.

8.2 Any demand or notice required or permitted to be given hereunder shall be deemed effective when deposited in the United States mail, and sent by certified mail, return receipt requested, postage prepaid, addressed to Secured Party at Secured Party's Address or to Debtor at Debtor's Address, as applicable, or to such other address as may be provided by the party to be notified, on ten (10) days prior written notice to the other party.

8.3 This Agreement contains the entire understanding between the parties hereto with respect to the transactions contemplated herein and such understanding shall not be modified except in writing signed by or on behalf of the parties hereto.

8.4 Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law; should any portion of this Agreement be declared invalid for any reason in any jurisdiction, such declaration shall have no effect upon the remaining portions of this Agreement. Furthermore, the entirety of this Agreement shall continue in full force and effect in all other jurisdictions and said remaining portions of this Agreement shall continue in full force and effect in the subject jurisdiction as if this Agreement had been executed with the invalid portions thereof deleted.

8.5 In the event Secured Party seeks to take possession of any or all of the Collateral by court process, Debtor hereby irrevocably waives any bonds and any surety or security relating thereto required by any statute, court rule or otherwise as an incident to such possession, and waives any demand for possession prior to the commencement of any suit or action to recover with respect thereto.

8.6 The provisions of this Agreement shall be binding upon and shall inure to the benefit of the heirs, administrators, successors and assigns of Secured Party and Debtor, provided, however, Debtor may not assign any of its rights or delegate any of its obligations hereunder without the prior written consent of Secured Party.

8.7 This Agreement is and shall be deemed to be a contract entered into and made pursuant to the laws of the State of Rhode Island and shall in all respects be governed, construed, applied and enforced in accordance with the laws of said state; in the event that the Secured Party brings any action hereunder in any court of record of Rhode Island or the Federal Government, Debtor consents to and confers personal jurisdiction over Debtor by such court or courts and agrees that service of process may be made upon Debtor by mailing a copy of the summons to Debtor at Debtor's Address.

8.8 If, prior hereto and/or at any time or times hereafter, Secured Party shall employ counsel in connection with the execution and consummation of the transactions contemplated by this Agreement or to commence, defend or intervene, file a petition, complaint, answer, motion or other pleadings, or to take any other action in or with respect to any suit or proceeding (bankruptcy or otherwise) relating to this Agreement, the Collateral or any other agreement, guaranty, note, instrument or document heretofore, now or at any time or times hereafter executed by Debtor and delivered to Secured Party, or to protect, collect, lease, sell, take possession of or liquidate any of the Collateral, or to attempt to enforce or to enforce any security interest in any of the Collateral, or to enforce any rights of Secured Party hereunder, whether before or after the occurrence of any Event of Default, or to collect any of the Obligations, then in any of such events, all of the reasonable attorneys' fees arising from such services, and any expenses, costs and charges relating thereto, shall be part of the Obligations, payable on demand and secured by the Collateral.

8.9 This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

8.10 Each reference herein to Secured Party shall be deemed to include its successors and assigns, and each reference to Debtor and any pronouns referring thereto as used herein shall be construed in the masculine, feminine, neuter, singular or plural, as the context may require, and shall be deemed to include the legal representatives, successors and assigns of Debtor, all of whom shall be bound by the provisions hereof.

8.11 The section headings herein are included for convenience only and shall not be deemed to be a part of this Agreement.

9. ASSIGNMENT BY SECURED PARTY

Secured Party may, from time to time, without notice to the Debtor, sell, assign, transfer or otherwise dispose of all or any part of the Obligations and/or the Collateral therefor. In such event, each and every immediate and successive purchaser, assignee, transferee or holder of all or any part of the Obligations and/or the Collateral shall have the right to enforce this Agreement, by legal action or otherwise, for its own benefit as fully as if such purchaser, assignee, transferee or holder were herein by name specifically given such rights. Secured Party shall have an unimpaired right to enforce this Agreement for its benefit with respect to that portion of the Obligations of Debtor Secured Party has not sold, assigned, transferred or otherwise disposed of.

10. ADDITIONAL INFORMATION

Information, if any, required to be set forth herein by paragraphs 2.2, 2.5, 3.1.1, 3.2.1 and/or 3.3.1 hereof, as applicable, shall be inserted in the following spaces;

2.2 (Debtor's tradenames, prior names, predecessor in merger, businesses acquired and/or other locations):

The Newport Star Clipper
Rhode Island Dinner Train, Inc.

2.5 (Debtor's other security interests, encumbrances and liens):

Lien in favor of Rhode Island Department of
Economic Development Small Business Loan Fund.

3.1.1 (Location of Inventory or records with respect thereto, other than at Debtor's Address):

19 America's Cup Avenue
Newport, Rhode Island 02840

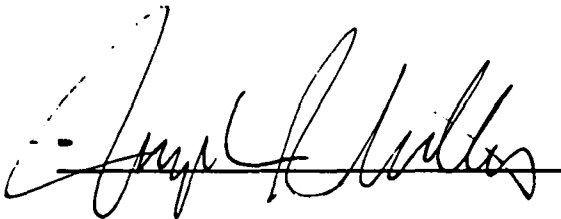
3.2.1 (Address of other places of business of Debtor and of the location of Equipment other than at Debtor's Address and owner and description of all leased premises):

19 America's Cup Avenue
Newport, Rhode Island 02840

3.3.1. (Address of other place(s) of business of Debtor and place(s) where records (including computer records) with respect to Receivables or returns of Inventory are kept other than Debtor's Address):

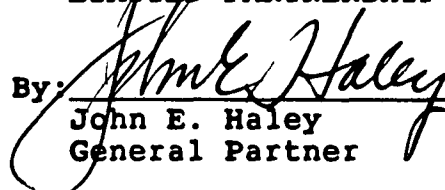
19 America's Cup Avenue
Newport, Rhode Island 02840

WITNESS:

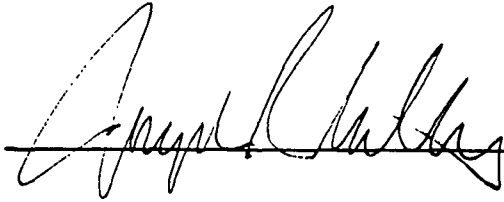


DEBTOR:

THE NEWPORT STAR CLIPPER
LIMITED PARTNERSHIP

By: 
John E. Haley
General Partner


WITNESS:

A handwritten signature in dark ink, appearing to be "James M. Kelly", written over a horizontal line.

SECURED PARTY:

GREATER PROVIDENCE DEPOSIT
CORPORATION

By:


John F. Sheehan
Assistant Vice President

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

In Providence, in said County on the 29th day of August, 1988 before me personally appeared John E. Haley, General Partner of the Newport Star Clipper Limited Partnership, a Rhode Island limited partnership, to me known and known by me to be the party executing the foregoing instrument on behalf of said limited partnership and he acknowledged said instrument by him executed to be his free act and deed and the free act and deed of said limited partnership.

My Commission Expires June 30, 1991


Notary Public

Joseph R. Miller

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

In Providence, in said County on the 29th day of August, 1988 before me personally appeared John F. Sheehan, Assistant Vice President of Greater Providence Deposit Corporation, a Rhode Island loan and investment bank, to me known and known by me to be the party executing the foregoing instrument on behalf of said bank and he acknowledged said instrument by him executed to be his free act and deed and free act and deed of said bank.


Notary Public

Joseph R. Miller

My Commission Expires June 30, 1991